



Metro

Los Angeles County
Metropolitan Transportation Authority

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**FINANCE & BUDGET COMMITTEE
JULY 15, 2009**

SUBJECT: TELCOMMUNICATIONS CARRIER SERVICES

ACTION: APPROVE PARTICIPATION IN CALNET2 A STATE OF CALIFORNIA MASTER SERVICES AGREEMENT FOR TELECOMMUNICATIONS SERVICES

RECOMMENDATION

Authorize the Chief Executive Officer to join in the CALNET2 participating agreement, established by the State of California Department of Technology Services with AT&T for telecommunications carrier services for a five year period, inclusive of two one-year options, effective August 1, 2009.

RATIONALE

We are currently obtaining telecommunications carrier services, such as local and long distance, 800 dialing, and data and internet connectivity, under the County of Los Angeles agreement with AT&T. Our period of service will terminate on November 3, 2009.

Within the last two years, both the State of California Department of Technology Services and the County of Los Angeles have re-released Request For Proposals for their telecommunications carrier services. In each case, the award was made to AT&T in 2007 and 2008 respectively.

After our review of both the State of California Department of Technology Services (CALNET2) and the County of Los Angeles agreements, it showed the price schedule for both contracts to be similar, without any meaningful differentiation in price. However, the CALNET2 agreement only requires an exclusive two-year commitment period whereas the County of Los Angeles agreement requires a full term, seven year, exclusive commitment.

Additionally, CALNET2 offered more services that could be relevant to Metro's operations and a sixty day grace period for payments. The grace period is beneficial as it would allow us to complete the invoice validation prior to submission for payment

processing. With the current payment term of thirty days without a grace period, invoices are validated after submission for payment processing to avoid incurring late payment penalties. This results in additional administrative work to process requests for invoice credit arising from invoice discrepancies.

With more a significantly less restrictive commitment period, more service offerings and a longer payment grace period, participating in the CALNET2 agreement will offer us more flexibility than the County of Los Angeles agreement given the similarity in price schedule.

FINANCIAL IMPACT

The funding of \$1,400,000 for this service is included in the FY10 budget in cost center 0921, Non-Departmental Expense/Utilities, under various projects. Since this is a multi-year contract, the Chief Information Officer and Chief Administrative Services Officer will be accountable for budgeting the cost in future years. In FY09, \$1,271,000 has been expended through May 2009.

Impact to Enterprise Fund Bus and Rail Operating Budget

The funding for these services will come from various sources of funds. With the exception of \$82,948 that are non-enterprise funds, the remaining amount of \$1,317,052 are eligible for bus and rail operating and capital expenditures as Bus and Rail Operations are the primary beneficiaries of these services. This activity is already included in the annual ongoing operating costs.

ALTERNATIVES CONSIDERED

One alternative is to continue to participate in the County of Los Angeles agreement. However, the shorter payment term of thirty days without a payment grace period will continue to restrict our ability to perform invoice validation prior to payment processing. This will not reduce but continue the administrative burden in handling invoice discrepancies.

A second alternative is to not participate in any of the competed agreements and revert to tariff rates. This is not advisable as it will significantly increase the telecommunications cost to the Agency.

A third alternative is to release our own Request For Proposal. This is not recommended as we would not be able to obtain a price schedule lower than either CALNET2 or the County of Los Angeles based on the volume of Metro's telecommunications usage.

ATTACHMENT(S)

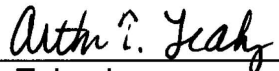
A-1. Procurement Summary

A-2. Procurement History

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Chief Administrative Services Officer



Arthur T. Leahy
Chief Executive Officer

**TELECOMMUNICATIONS CARRIER SERVICES
CALNET 2 MASTER SERVICES AGREEMENT
PROCUREMENT SUMMARY**

1.	Contract Number: PS9240-2386		
2.	Recommended Vendor: AT&T		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: Fixed Unit Rate(s)	Recommended Price: Fixed Unit Rates (see Financial Impact for total estimated value)	
	B. Details of Significant Variances, if any, are in Attachment A-1.D		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: N/A		
	E. Pre-Qualification Completed: TBD		
	F. Conflict of Interest Form Submitted to Ethics: TBD		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: No goal recommended	Date Small Business Evaluation Completed: N/A	
	Small Business Commitment: N/A		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: N/A	Bids/Proposals Picked up: N/A	Bids/Proposals Received: N/A
8.	Evaluation Information:		
	A. Bidders/Proposers Names: AT&T	<u>Bid/Proposal Amount:</u> Fixed Unit Rate(s)	<u>Best and Final Offer Amount:</u> N/A
	B. Evaluation Methodology: Details are in Attachment A-2.C		
9.	Protest Information:		
	A. Protest Period End Date: N/A		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Gregory Moore	Telephone Number: (213) 922-7342	
11.	Project Manager: Bill Balter	Telephone Number: (213) 922-4511	

**TELECOMMUNICATIONS CARRIER SERVICES
CALNET 2 MASTER SERVICES AGREEMENT
PROCUREMENT HISTORY**

A. Background on Contractor

AT&T is the leading provider of local and long distance voice services in the United States, and the largest communications holding company in the world by revenue. AT&T offers one of the most advanced and powerful global backbone networks, carrying 17.6 petabytes of data traffic on an average business day to nearly every continent and country, with up to 99.999 percent reliability. AT&T is also one of the world's largest providers of IP-based communications services for businesses, with an extensive portfolio of Virtual Private Network (VPN), Voice over IP (VoIP) and other offerings.

AT&T holds spectrum licenses in all 50 U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, and has the best worldwide telecommunications coverage with voice coverage in more than 215 countries, data roaming in more than 170 and 3G in more than 80 countries, serving millions of customers, concentrated in 22 states, with wired services, including broadband, long distance and local voice. AT&T's past performance under prior agreements with Metro has been satisfactory.

B. Procurement Background

Since 2003, Metro has secured favorable pricing for telecommunications services as a participating entity under a master services agreement established by the County of Los Angeles. After the recent expiration of the Participating Agreement that the County of Los Angeles established with AT&T for telecommunications carrier services, staff determined that it would be in Metro's best interest to continue procuring telecom services from AT&T as a participant under the recently-established California Integrated Information Network 2 master services agreement (CALNET 2). The CALNET 2 contract was established by the State of California Department of Technology Services (DTS or State).

DTS has established four separate service contract modules or Master Service Agreements (MSAs) for outsourced telecommunications and enterprise network services (MSA 1: Core Services (Voice, Data and Video), MSA 2: Long Distance/Voice, MSA 3: Internet Protocol Services, and MSA 4: Broadband Fixed Wireless Access). AT&T was awarded two of the four MSAs: MSA 1 - Voice, Data and Video Services, and MSA 2 – Long Distance and Network Based Services.

Award of MSAs 1 and 2 were established under a competitive procurement process. In accordance with the terms of RFP DGS-2053 (CALNET 2) issued by the State,

final selection and award of each of the four MSAs was made to the responsive and responsible firm earning the highest accumulative point score, price and other technical factors included. Responsiveness included, but was not limited to, an assessment as to whether each proposer met the administrative, technical, and contractual requirements, and conformed to the terms of the RFP.

C. Evaluation of Proposals

Under the MSAs, services may be purchased by qualified non-state agencies including federal and local government agencies, including cities, counties, schools, libraries, special districts, and other agencies that are entirely tax-supported, or who have a qualified Joint Powers Agreement (JPA). The DTS reviews a requesting agency's qualifications and authorizes its use of the CALNET 2 MSAs. Accordingly, DTS has determined that Metro is eligible to join the agreement and has been qualified to purchase services under CALNET 2.

Metro's participation under CALNET 2 would obviate the need for Metro to conduct a separate competitive procurement process for the required services. This procurement is being conducted in accordance with the Metro Procurement Policy Manual and with FTA Circular 4220.1F.

D. Cost/Price Analysis

Metro will utilize pricing established by the State. Metro's participation on the CALNET 2 contract would allow Metro to take advantage of discounted telecom rates due to the sheer economies of scale possible under a statewide contract. Though a two-year service commitment from Metro is required, the CALNET 2 MSAs are non-exclusive service agreements with no minimum guarantees to AT&T for revenues or quantities of services ordered. In fact, AT&T's proposed pricing serves as a price cap from which pricing can only be adjusted downward by the State or participating agencies during the term of the agreement.

The State established the master services agreement under a competitive procurement process, and pricing is deemed fair and reasonable based upon adequate price competition. In addition, the State will be conducting ongoing and annual reviews of pricing and service functionality to help ensure rates and services remain cost-effective and technologically competitive throughout the life of CALNET 2.

